

HOG PROCUREMENT AGREEMENT

THIS HOG PROCUREMENT AGREEMENT ("Agreement") is dated as of 199 2, between IBP, inc., ("IBP"), ~~and~~ ("Producer"). IBP, as of the date of this Agreement, owns and operates hog processing plants in Nebraska, Iowa and Indiana; Producer feeds hogs and/or has hogs contracted for production both in its own facilities and/or in facilities owned by others; and IBP wishes to buy such hogs and Producer wishes to sell such hogs for processing at IBP's facilities on the following terms and conditions:

Section 1. Definitions

(a) Market Hogs shall mean hogs meeting the specifications set forth on Schedule 1(a). Hogs that have been culled or are underweight will not be considered to have been delivered pursuant to this Agreement, and therefore will not be in violation of Schedule 1(a). Schedule 1(a) may be amended by IBP by giving Producer at least thirty (30) days prior written notice.

(b) Producer Facilities shall mean those facilities that are total confinement facilities that are owned or managed by Producer, or which are raising contracted hogs for Producer.

(c) Total Production shall mean Market Hogs fed by Producer and other Market Hogs produced for Producer under their direction or control and that Producer has ownership of.

(d) Annual Total Production shall mean the annual production for each year of the Term, as defined below, of the Agreement (each such year beginning on the date corresponding with the initial term date of this Agreement).

(e) Delivery Week shall mean each calendar week during the Term or any renewed or extended term hereof, beginning at 12:00 a.m. on Monday and ending at 12:00 a.m. on the following Monday.

(f) Load shall mean one semi trailer of Market Hogs with approximately 150 to 200 head of Market Hogs and averaging 180 head, however, IBP agrees that on occasion a load may be less than 150 head.

(g) Floor Price shall be the price calculated as follows, live F.O.B. IBP's facility for the length of the Term:

The Floor Price will be adjusted according to the following schedule, based on the US #2 Yellow Corn price as reported by the USDA in Omaha - Council Bluffs Grain Report ("Omaha Corn price"):

Corn Price/Bushel:	<u>\$0-\$2.50</u>	<u>Above \$2.50 to \$3.25</u>	<u>Above \$3.25</u>
Floor Price:	\$41.00	\$42.00	\$43.00

The Omaha Corn Price will be determined by using the 6 month rolling average of the daily Omaha processor corn price as reported by the USDA Market News Service. The average weekly price will be determined by aggregating the sum of the mid point of the range of the closing prices quoted by the USDA Market News Service for all trading days within a week and dividing the sum by the number of trading days within that

week. The adjustment to the Floor Price will be implemented on a monthly basis.
Example: If Omaha's six month rolling average for the month of June is \$2.53/bushel, then the Floor Price would be adjusted to \$42.00 for the month of July.

(h) Base Meat Price shall mean the 3-day simple rolling average of the USDA Western Cornbelt Lean Value opening report (released at approximately 11:00 a.m. C.D.T.), average of the low and high carcass cwt price of the 1.00"-1.19" ranges measured at the midline last rib backfat of the 170-191 lb. for the three days prior to slaughter. If the USDA would not report in a given period, or if the reporting service changes, the parties will reasonably agree on a new formula for determining the Base Meat Price for the effected period. If the parties cannot mutually agree on a new formula price the Base Meat Price will be changed to a carcass pricing method with the Base Meat Price being equal to IBP's average cost of hogs per carcass cwt minus carcass quality premiums plus sort loss (as calculated by IBP) at IBP's pork processing facilities. If a new formula cannot be mutually agreed upon, either party may terminate this Agreement by giving the other party written notice at least one year prior to the date the party giving notice wishes to terminate this Agreement. Carcass weight prices (for the Base Meat Price and other prices using carcass price) will be converted to live prices.

(I) Total Market Price shall mean the price/cwt live received for each Load of hogs delivered under this Agreement using the formula as described in Section 5.

(j) Reserve Amount shall mean the amount of dollars that are paid to the Reserve Account by Producer when the Total Market Price exceed \$46/cwt live according to the terms of Section 6(b).

(k) Reserve Account shall mean an account maintained by IBP which tracks Reserve Amounts. The Reserve Account shall not exceed \$500,000.

(l) Deficiency Amount shall mean the total live cwt of Market Hogs sold (for those Market Hogs sold when the Total Market Price is below the Floor Price) multiplied by the negative difference between the Total Market Price and the Floor Price per load of Market Hogs.

(m) Deficiency Account shall mean an account maintained by IBP which tracks Deficiency Amounts when there are no Reserve Amounts in the Reserve Account. The Deficiency Account shall not exceed \$500,000.

(n) Delivery Year shall mean each one year period during the Term, as defined below, of this Agreement and any renewed or extended term hereof, consisting of fifty-two or fifty-three consecutive Delivery Weeks.

(o) Weekly Projected Total Production shall mean the Annual Total Production for a year divided by the number of whole Delivery Weeks in that year.

(p) Grade Premiums and Discounts shall be the existing grade premiums and discounts available from IBP at the time of slaughter for a Load of Market Hogs.

(q) Weight Discounts shall mean the existing IBP weight discounts at the time of slaughter of each Load of Market Hogs.

(r) Carcass Cutability Premium ("CCP") Because of Producers higher cutability, the CCP shall be \$2.25/carcass cwt for Market Hogs delivered to Council Bluffs or Storm Lake, and \$2.00/carcass cwt for Market Hogs delivered to Perry, added to the Base Meat Price to determine Total

Market Price. The CCP is subject to change because of technological advances in carcass evaluation. The CCP might become a component of the IBP Carcass Merit Program [as described in Exhibit 1(r)] and therefore reflected in the grade premium matrix. If a new system of measurement and a new grade premium matrix are implemented, IBP will implement the new premium.

(s) Carcass Weight shall mean the weight of the carcass after the kill floor process and just prior to entering the cooling process.

Section 2. Term

The term ("Term") of this Agreement shall commence on May 1, 1998 and end on December 31, 2004, unless amended or terminated pursuant to the terms of this Agreement.

Section 3. Delivery and Schedule of Shipments

(a) Producer agrees to arrange and schedule with a designated IBP representative weekly Market Hog deliveries to IBP's Perry, IA; Storm Lake, IA; and Council Bluffs, IA plants pursuant to IBP's discretion. Delivery schedules will be agreed to by the Thursday preceding the Delivery Week in which Market Hogs are to be delivered. Changes in that schedule will be permitted only by agreement between IBP and Producer reached at least twenty-four (24) hours prior to delivery, or unless agreed to otherwise in this Agreement. Other IBP plants may be added as delivery points for Market Hogs as mutually agreed to by the parties.

(b) Inspection, sorting and weighing shall be performed by IBP at the plant. No hogs shall be accepted to fulfill the terms of this Agreement if they do not meet the qualifications of a Market Hog.

(c) Title and risk of loss on the Market Hogs will pass from Producer to IBP upon the slaughter of the Market Hogs at IBP's plant, however, Producer will remain responsible for any carcasses that contain drug residue or are adulterated in any other manner which is due to Producer.

(d) Annual Total Production of Market Hogs to be delivered by Producer is as follows:

<u>Period</u>	<u>Market Hog #s</u>		
1998	31,000	to	33,000
1999	47,000	to	49,000
2000	78,000	to	82,000
2001	93,500	to	98,500
2002	93,500	to	98,500
2003	93,500	to	98,500
2004	93,500	to	98,500

(e) Producer shall, at the beginning of each quarter, provide IBP with an approximate Weekly Projected Total Production of Market Hog numbers for the following quarter. For example, on January 1, 1997, Producer, in writing, would provide IBP the approximate weekly Market Hog numbers to be delivered for the period of April 1, 1997 through June 30, 1997. Weekly deliveries of Market Hogs shall be evenly and consistently delivered. For each year listed in 3(d) above the parties will take the average number of Market Hogs to be delivered annually and divide this

number by 52 (except in 1998, where 35 will be used). This will give the approximate number of Market Hogs to be delivered each week, however, the parties understand that during 1998 and 1999 there may be some fluctuation in deliveries due to start-up.

(f) Producer and IBP shall consult with each other concerning any temporary inability to take or deliver Market Hogs.

(g) IBP shall have a right of first refusal for all of Producer's sows, boars and off quality hogs being sold for slaughter. Producer shall notify IBP of any bids Producer has received for sows, boars and off quality hogs and if IBP is willing to match this offer IBP can take delivery of the hogs.

Section 4. Verification of Hog Quantity and Quality

It is mutually understood between IBP and Producer that Producer will produce Market Hogs with carcasses that will exceed the average of all carcasses delivered to IBP by all producers IBP buys from (excluding Producer's sales pursuant to this Agreement) based on the existing carcass evaluation system at the time of delivery.

(a) IBP and Producer shall mutually agree on the genetics Producer will use for the production of Market Hogs. Producer must notify IBP of any change in genetics and genetic lines and IBP must approve any such changes. However, IBP will not be held liable for any loss of production or undesirable carcass characteristics caused by these genetics and Producer is solely responsible for production output of Market Hogs.

(b) Producer agrees to use for Market Hog production a nutritional program that will produce carcasses that exceed the average carcass characteristics, as defined by the carcass evaluation program at the time of delivery of all carcasses delivered to IBP by all producers IBP buys from (excluding Producer's sales pursuant to this Agreement).

© IBP will permit Producer a reasonable number of scheduled visits to IBP's plants during normal operating hours to observe the handling and processing of the Market Hogs delivered under this Agreement. Prior notice shall be given to IBP, and such visits will not unreasonably interfere with the operation of such facilities.

(d) Producer will permit IBP a reasonable number of scheduled visits to Producer Facilities during normal operating hours to observe and monitor production and quality. Prior notice shall be given to Producer, and such visits will not unreasonably interfere with the operation of such Producer Facilities. Producer agrees to provide IBP on request information relating to its production management practices.

Section 5. Price

(a) The price paid by IBP for Market Hogs delivered by Producer and accepted by IBP under this Agreement shall be the price per hundred weight ("cwt") with respect to each Load of Market Hogs determined by IBP in accordance with this Section.

(b) For the Term, the Total Market Price for each Load shall be determined by using the Base Meat Price adding or subtracting from the Base Meat Price, Grade Premiums and

Discounts, Weight Discounts, and other adjustments pursuant to Section 5© for each Load.

© Total Market Price will be determined by using the IBP grade premiums and discounts as described in 1(p). As described in Section 1(p), the grade premiums and discounts may change.

(d) When the Total Market Price is less than the Floor Price (the Total Market Price will be converted from a carcass to a live price) then the Floor Price shall be paid. The difference between the Total Market Price, and the Floor Price multiplied by the total live weight (expressed in cwt) of that Load, the Deficiency Amount, shall be drawn from the Reserve Account if it has a positive balance. When the Reserve Account balance has been reduced to zero, then the Deficiency Amount shall be accrued in the Deficiency Account pursuant to Section 6.

Section 6. Pricing Adjustments

(a) When there are Deficiency Amounts, and when the Reserve Account has a zero balance, such Deficiency Amounts will be accounted for by IBP in the Deficiency Account as follows:

(i) The Deficiency Account will be charged interest at the prime rate, as reported in The Wall Street Journal ("Interest Rate"), during the Term of this Agreement.

(ii) The Deficiency Account will be solely Producer's responsibility to repay pursuant to Section 7. When there is a balance in the Deficiency Account, interest will accrue at the Interest Rate, which will be adjusted quarterly and compounded on a quarterly basis on the first day of each quarter, and will be added to the Deficiency Account balance owed to IBP, unless provided for otherwise.

(iii) At the end of the Term of the Agreement, any amount, with interest, that has accrued in the Deficiency Account shall be repaid to IBP by Producer within 10 days after termination. If Producer chooses not to repay IBP at the end of the Term, Producer will continue deliveries of Market Hogs to IBP until the Deficiency Account is repaid according to Section 7. If Producer wishes to continue to deliver Market Hogs after the Term to pay the Deficiency Account, Producer must receive IBP's written approval and Producer must deliver a minimum of 1845 Market Hogs per week. If IBP and Producer agree to continue deliveries after the end of the Term, the Deficiency Account balance cannot be increased and if the Total Market Price drops below the Floor Price the Total Market Price will be paid.

(iv) IBP agrees to maintain records relating to the Deficiency Account and upon Producer reasonable requests, IBP shall furnish copies of such records to Producer or extracts therefrom.

(v) If the Deficiency Account balance reaches \$500,000 during a quarter, Producer will pay IBP for all accrued interest and all other amounts that exceed the \$500,000. Such payments will be made within 5 days of the end of each quarter in which the balance exceeds \$500,000. The Floor Price will

not be paid for Market Hogs if the Deficiency Account balance reaches \$500,000. In this situation Producer will receive the Total Market Price.

(b) When the Total Market Price exceeds \$46/cwt live, and when there is no balance in the Deficiency Account, IBP will deduct according to the following table from Producer's check:

Reserve Amount Schedule

Total Market Price	\$46.00-\$48.00/cwt live	Above \$48.00-\$50.00/cwt live	Above \$50.00/cwt live
Reserve Amount	\$.75/cwt live times total live weight of Load	\$ 1.00/cwt live times total live weight of Load	\$ 1.50/cwt live times total live weight of Load

(i) The Reserve Account will be paid interest at the prime rate, as reported in the Wall Street Journal ("Interest Rate") during the Term of this Agreement.

(ii) When there is a balance in the Reserve Account, interest will accrue at the Interest Rate, compounded on a quarterly basis and will be added to the Reserve Account balance.

(iii) At the end of the Term of the Agreement, any amount, with interest, that has accrued in the Reserve Account shall be repaid by IBP to Producer 10 days after termination.

(iv) IBP agrees to maintain records relating to the Reserve Account and upon Producer's reasonable requests, IBP shall furnish copies of such records to Producer or extracts therefrom.

(v) The maximum balance (not including interest) that Producer will maintain in the Reserve Account is \$500,000. When the \$500,000 is attained, then the Reserve Amount deduction pursuant to Section (b) will not apply until the Reserve Account is reduced to less than \$500,000

Section 7. Repayment Schedule

If the Deficiency Account has a positive balance, deductions will be made from Producer checks for Market Hogs when the Total Market Price is greater than the Floor Price. The difference between the Total Market Price and the Floor Price multiplied by the live cwt of each Load, shall be subtracted from Producer's check and applied to the Deficiency Account balance until the Deficiency Account is reduced to zero. If there is no Deficiency Account balance, then the Total Market Price will be paid to Producer subject to Section 6.

Section 8. Adjustments

The maximum amounts of the Deficiency Account, and the Reserve Account (\$500,000), may

be adjusted by IBP on a quarterly basis pursuant to the number of Market Hogs delivered by Producer. However, the maximum amounts will never exceed the numbers referred to above. The maximum amounts may be adjusted in proportion to the number of Market Hogs delivered as compared to the Market Hogs to be delivered pursuant to the terms of this Agreement. For example, if in 1998 Producer is to deliver 400,000 Market Hogs per year (100,000 per quarter) and Producer delivers 75,000 Market Hogs during the second quarter, or 75% of what was to be delivered, the Deficiency Account maximum and the Reserve Account maximum would then be \$375,000, for the third quarter. If an adjustment is made and the balance in the Deficiency Account exceeds the new adjusted maximum amount, Producer shall have 10 days to pay IBP the amount that exceeds the new adjusted maximum amount. If an adjustment is made and the balance in the Reserve Account exceeds the new adjusted maximum amount, IBP shall have 10 days to pay Producer the amount that exceeds the new adjusted maximum amount.

The adjustment of the Deficiency Account and Reserve Account for shortages in deliveries of Market Hogs by Producer shall be at the option of IBP. Any adjustments of these amounts by IBP does not create any waiver of IBP's rights or remedies under this Agreement.

Section 9. Payment

(a) IBP shall pay Producer in full for Market Hogs by check delivered by U.S. Mail, pursuant to the U.S.D.A. Packer and Stockyard's regulations.

(b) Should IBP fail to make a required payment for a period of six (6) business days, Producer shall give IBP written notice of the failure and IBP shall have three (3) business days from the receipt of the notice to make such payment. If IBP fails to make such payment Producer may suspend deliveries of Market Hogs hereunder and sell the Market Hogs on the open market to a third party. The exercise of such right shall be in addition to any and all other remedies to Producer under this Agreement.

Section 10. Default

(a) Producer Default. For the purposes of this Agreement, a default by Producer shall be deemed to have occurred under any of the following circumstances:

(i) Producer defaults in the performance of any obligation under this Agreement and fails to cure such default within thirty (30) days following receipt of written notification of such default from IBP;

(ii) Producer is adjudged as bankrupt, or if a proceeding of any kind under any law relating to bankruptcy, insolvency or relief of debtors is initiated by or against Producer and is not dismissed within thirty (30) days;

(iii) Producer makes an assignment for the benefit of its creditors, or ceases to carry on its business;

(iv) Producer has a receiver, trustee or similar person appointed or otherwise designated in respect of its business or affairs; or

- (v) Producer withdraws from the hog production business. (Producer is no longer feeding hogs, or has no interest in hog production).

In the event of a default by Producer, IBP, in addition to all of its other rights and remedies under applicable law may terminate this Agreement by providing written notice to Producer. The termination shall be complete upon receipt of notice by Producer.

(b) IBP Default. For the purposes of this Agreement, a default by IBP shall be deemed to have occurred under any of the following circumstances:

- (i) IBP defaults in the performance of any material obligation under this Agreement and fails to cure such default within thirty (30) days following receipt of written notification of such default from Producer;
- (ii) IBP is adjudged as bankrupt, voluntarily files for bankruptcy, or if a proceeding of any kind under any law relating to bankruptcy, insolvency or relief of debtors is initiated by or against IBP and is not dismissed within thirty (30) days;
- (iii) IBP makes an assignment for the benefit of its creditors, or ceases to carry on its business;
- (iv) IBP has a receiver/trustee or similar person appointed or otherwise designated in respect of its business or affairs; or
- (v) IBP withdraws from the hog processing business.

In the event of an IBP Default, Producer, in addition to all of its other rights and remedies under applicable law may terminate this Agreement by providing written notice to IBP. The termination shall be complete upon receipt of notice by IBP.

© Effect of Termination. Termination of this Agreement shall not relieve any party of any liability accrued for, nor effect the continued operation or enforcement of any provision of this Agreement which by its terms is to survive termination. Nothing herein shall prevent any party from seeking specific performance or damages for breach in respect of any right or obligation contained in this Agreement. In no event shall a termination of this Agreement relieve Producer from paying IBP for any Deficiency Amounts currently owed in the Deficiency Account. The rights and remedies set forth in this subsection are non-exclusive and shall be in addition to any other rights or remedies that may otherwise be available at law or equity.

Section 11. Force Majeure

(a) Neither party shall be liable for failure to perform or delay in performing any act hereunder if such performance is rendered impossible by reason or matters beyond the reasonable control of the party, including but not limited to acts of God, government order, strikes, lockouts, picketing, wars, blockades, riots, disease, epidemics, fire, storms, floods or explosion. A failure to settle or prevent any strike or controversy with employees or with anyone purporting or seeking to represent employees shall be considered a matter beyond the reasonable control of the party affected under this subsection, provided such strike affects said party's performance of the requirements of this

Agreement. Any inability of Producer to supply hogs due to an outbreak of disease, or governmental action limiting or stopping production shall also be considered a matter beyond Producer reasonable control. Once performance becomes commercially possible, the responsibilities and obligations of the parties shall resume again with full force and effect. Where either party claims an excuse for non-performance under this Section, it shall give prompt notice and an estimate of the duration of the Force Majeure event to the other party; and it shall give prompt written notice when the Force Majeure event has been remedied and performance can re-commence hereunder. IBP agrees that in the event of a Force Majeure event affecting its plant(s) in Waterloo, Storm Lake, Perry and/or Logansport it will use reasonable efforts to assist Producer in rescheduling the Market Hogs at other IBP plants or by finding other buyers of Market Hogs.

(b) If a Force Majeure event shall continue for a period longer than six months, the party not claiming Force Majeure may terminate this Agreement by giving the other party written notice.

Section 12. Notices

All notices required or permitted to be given hereunder, unless otherwise specified, shall be in writing and shall be deemed properly given when delivered in person to the party to be notified, or when sent by courier service, costs prepaid, or when sent by facsimile, to the party to be notified, at its address set forth below, or such other address within the continental United States of America as the party to be notified may have designated prior thereto by written notice to the other:

Producer:

Fax No. _____

IBP:

IBP, inc.
P. O. Box 515
IBP Avenue
Dakota City, NE 68731
Attention: Vice President, Pork Procurement
Fax No. (402) 241-2805

Section 13. Waivers

Failure of IBP or Producer to insist upon strict performance of any of the terms and conditions hereof, or failure or delay to exercise any right or remedies provided herein, or by law, or to properly notify either party in the event of a breach or the acceptance of payment for any goods hereunder, shall not release either party from any of the warranties or obligations of this Agreement, and shall not be deemed a waiver of any right by either party to insist upon strict performance hereof, or any of its

rights or remedies regardless when shipped, received or accepted, or as to any prior or subsequent default hereunder, nor shall any purported oral modification operate as a waiver of any of the Agreement terms.

Section 14. Assignment

This Agreement shall not be assigned by either party without first receiving the other party's written consent.

Section 15. Representation of Producer

Producer will, at all times during the Term and any renewed or extended term hereof, be supervised by a licensed veterinarian and will properly use any applicable drugs and adhere to the required withdrawal procedures. Producer must be on the Pork Quality Assurance Program and must be at Level III of the Pork Quality Assurance Program.

Section 16. Representation of IBP

IBP shall keep all necessary records with respect to the receipt, weighing, and payment of all livestock in accordance with its regular record retention and destruction schedule. Producer may inspect such records during the normal business hours at locations designated by IBP on reasonable notice by Producer to IBP. IBP shall supply copies of such records as Producer may reasonably request at Producer's expense. On a monthly basis IBP will send to Producer a statement showing the balance of the Reserve Account or the Deficiency Account.

Section 17. Producer Financials

Producer must at all times be able to demonstrate its financial soundness to IBP and to provide evidence thereof upon the request of IBP. In light of the term of the contract, Producer must demonstrate at all time the ability and likelihood that the Producer's Facilities will be operational and producing hogs for the Term. If Producer is at 60% of the maximum of the Deficiency Account, Producer must provide IBP financials on a quarterly basis so that IBP may verify the financial soundness of Producer. If IBP becomes concerned with Producer's financial soundness, the parties will discuss IBP's concerns and will use reasonable efforts to address IBP's concerns and reduce IBP's financial risk due to changes in Producer's financial condition.

Section 18. Confidentiality

The parties acknowledge and agree that in connection with, or as a result of, this Agreement, each party may be furnishing the other party with certain information which is either non-public, confidential or proprietary in nature ("Confidential Information"). Each party's Confidential Information will be kept confidential by the other party and shall not, without prior written consent, be disclosed by the other party to any other person or entity or be used by the other party for any purpose other than in connection with this Agreement. This Agreement and its terms shall be considered the Confidential Information of IBP. The term Confidential Information shall not include information which (i) is or becomes generally available to the public, through no fault of the other party; (ii) is or becomes known or available to the other party on a non-confidential basis and not in

contravention of applicable law from any third-party source; or (iii) the other party is ordered or required to disclose by any applicable law or competent judicial, governmental or other authority. This Section 18 shall survive the expiration of the Term or any renewed or extended term hereof or earlier termination of the Agreement.

Section 19. Indemnification

The parties will indemnify and hold each other harmless from and against all losses, liability, and expenses arising from damage to property or the injury or death of any person, when such injury or damage is caused by the indemnifying party's willful breach or negligence in its performance of its obligations under this Agreement; provided, however, that in the event such injury or damage is caused in part by the negligence of both parties, then each party will contribute to the extent of its fault.

Section 20. Miscellaneous

(a) Producer and IBP shall use reasonable efforts to settle any dispute, claim, question or disagreement arising out of, or relating to, this Agreement or any alleged breach of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa.

(b) IBP and Producer agree that the relationship between them is that of independent contractors. Nothing in this Agreement shall constitute either Producer or IBP as agent, representative, partner, joint venturer or employee of the other party. Neither Producer nor IBP shall have, nor shall either represent itself as having, any right, power or authority to create any agreement or obligations, either express or implied, on behalf of, in the name of, or binding upon the other party, or to pledge the other's credit or to extend credit in the other's name unless the other party shall provide advance written consent thereto.

© If there is a final determination that this Agreement violates any federal, state or local law, the Agreement will automatically terminate and the parties will have no further obligations other than to repay the Deficiency Account or Reserve Account.

(d) If Producer chooses to produce and market additional Market Hogs, IBP shall have a right of first refusal to purchase the additional production. If IBP exercises this right a contract with terms similar to this Agreement will be executed between the parties for the additional production, subject to any changes mutually agreed upon by the parties.

Section 21. Non-Exclusivity

This Agreement shall not be exclusive to Producer, but instead may be offered by IBP to other producers.

By: _____
Title: Managing Partner

By: _____
Title: Assistant Manager

IBP, inc.

By: Richard V. Bond
Title: President - Fresh Meats

Schedule 1(a)

(i) All Market Hogs, to be considered deliverable pursuant to this Agreement, must meet IBP's existing weight specifications for all hogs purchased by IBP plants at time of delivery. Any Load of hogs or any hog sorted out at the time of delivery, will be priced according to IBP's existing weight or quality discount schedule.

(ii) All qualifying Market Hogs shall be free of the following defects:

- a) Abscesses
- b) Scars
- c) Ruptures
- d) Uncastrated males
- e) Freshly castrated
- f) Fresh cut or unhealed wound
- g) Any defect that would result in a down grade of the animal's carcass.

All Market Hogs delivered under this Agreement will be purchased subject to passing inspection by the USDA with deductions in compensation for all carcasses or carcass parts that are condemned by USDA inspectors.

**IBP, Inc.
PORK DIVISION
HOG CARCASS GRADES**

Live Wt.	Hot Carcass Wt.		GRADES					
			Supreme Lean	1	2	3	4	5
Under 209	Under 155	Backfat Ruler Grade Premium (Per carcass cwt)	.	.	.	<1.20 1.2,3 or 4	1.21-1.40 5	▶ 1.4 6,7 or 8 (3.00)
210-230	156-171	Backfat Ruler Grade Premium (Per carcass cwt)	<.80 1	.61-.80 2	.81-1.00 3	1.01-1.20 4	1.21-1.40 5	▶ 1.40 6,7 or 8 (2.50)
231-270	172-202	Backfat Ruler Grade Premium (Per carcass cwt)	3.00-3.50 1	2.00-2.50 2	1.00-1.50 3	0	(1.50)-(2.00) 5	▶ 1.40 6,7 or 8 (4.00)-(5.00)
271-290	203-218	Backfat Ruler Grade Premium (Per carcass cwt)	<.80 1 or 2	.81-1.00 3	1.01-1.20 4	1.21-1.40 5	1.41-1.60 6	▶ 1.60 7 or 8 (5.00)-(7.50)
291/Up	219/Up	Backfat Ruler Grade Premium (Per carcass cwt)	<1.00 1,2 or 3	1.01-1.20 4	1.21-1.40 5	1.41-1.60 6	1.61-1.80 7	▶ 1.80 8 (7.50)

*Hogs in this weight range not eligible for these grades.

Condemnation Description: Pathological condemnation, yard deads, and in-transit deads will be at producer's risk. Plant condemnations due to asphyxia, contamination, and overcured will be credited back to producer at average carcass weight and grade.

GRADE PREMIUMS
EFFECTIVE AS OF 11-09-92

LIVE RANGE		CARCASS RANGE		S.L.	01	02	03	04	05
UNDR	159	UNDR	116	0.00	0.00	0.00	0.00	-2.00	-3.00
160-	169	117-	124	0.00	0.00	0.00	0.00	-2.00	-3.00
170	179	125-	132	0.00	0.00	0.00	0.00	-2.00	-3.00
180-	189	133-	139	0.00	0.00	0.00	0.00	-2.00	-3.00
190-	199	140-	147	0.00	0.00	0.00	0.00	-2.00	-3.00
200-	209	148-	155	0.00	0.00	0.00	0.00	-2.00	-3.00
210-	220	156-	163	3.00	2.00	1.00	0.00	-1.50	-2.50
221-	230	164-	171	3.50	2.50	1.50	0.00	-2.00	-2.50
231-	240	172-	178	6.00	4.00	2.00	0.00	-2.50	-4.00
241-	250	179-	186	6.00	4.00	2.00	0.00	-2.50	-4.00
251-	260	187-	194	7.00	5.00	3.00	0.00	-3.00	-5.00
261-	270	195-	202	7.00	5.00	3.00	0.00	-3.00	-5.00
271-	280	203-	209	7.00	5.00	3.00	0.00	-3.00	-5.00
281-	290	210-	218	8.00	6.00	4.00	0.00	-4.00	-7.50
290	UP	219-	UP	8.00	6.00	4.00	0.00	-4.00	-7.50

143
 172-202 WGT RANGE
 37395 LBS / AVG 262
 021

23

[illegible]

TRANSIT :
RAD
ORDERS:

21 THIS LOT	SETS	DOLLARS	THIS LOT	HEAD DOLLARS
WICRETA LOSS :	0	30.00	HEAD LOSS :	1 \$1.7

[illegible]

DETHMUNDT, PETER & JOWLS 44 : BELL 18 : JOWL 0.0

[illegible]

THANK YOU FOR YOUR PATRONAGE